

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



October 22, 2007

Advice Letter 2873-G

Brian K. Cherry  
Vice President, Regulatory Relations  
Pacific Gas and Electric Company  
77 Beale Street, Mail Code B10C  
P.O. Box 770000  
San Francisco, CA 94177

Subject: Expedited Pre-Approval of Interstate and Canadian  
Pipeline Contracts

Dear Mr. Cherry:

Advice Letter 2873-G is effective October 23, 2007.

Sincerely,

A handwritten signature in black ink, appearing to read "Sean H. Gallagher".

Sean H. Gallagher, Director  
Energy Division



**Brian K. Cherry**  
Vice President  
Regulatory Relations

Pacific Gas and Electric Company  
77 Beale St., Mail Code B10C  
P.O. Box 770000  
San Francisco, CA 94177

This advice filing contains a Confidential Attachment 1, protected by General Order 66-C and Section 583 of the Public Utilities Code.

415.973.4977  
Fax: 415.973.7226

October 2, 2007

**Advice 2873-G**  
(Pacific Gas and Electric Company ID U 39 G)

Public Utilities Commission of the State of California

**Subject: Expedited Pre-Approval of Interstate and Canadian Pipeline Contracts**

Pacific Gas and Electric Company (PG&E) requests the California Public Utilities Commission (Commission) to pre-approve the continuation of three existing natural gas pipeline contracts which are used to transport natural gas supplies from Canada on behalf of PG&E's core gas customers. Continuation of these contracts will ensure uninterrupted access by PG&E's Core Gas Supply Department to Canadian natural gas supplies. Additional related information regarding the Gas Transmission Northwest Rate Case is provided in Attachment 1 to this Advice Letter, under the confidential provisions of General Order 66-C and Section 583 of the Public Utilities Code, and to The Utility Reform Network (TURN) under the provisions of a non-disclosure arrangement. Therefore, Attachment 1 is provided to the Commission and TURN only.

**Purpose**

The purpose of this expedited advice letter is to request approval to renew the existing capacity arrangements described below<sup>1</sup>. In D.04-09-022, the Commission established procedures for expedited regulatory approval and processing of utility commitments to pipeline capacity. These procedures require consultation between the utility, the Division of Ratepayer Advocates (DRA) and TURN and the Energy Division was granted approval authority. Under D.04-09-022, contracts for pipeline capacity may be submitted by expedited advice letter, seeking Commission approval within 21 days of the advice letter file date. PG&E requests that the Commission approve this filing by **October 23, 2007**.

PG&E has consulted with DRA and TURN and both have confirmed their support for PG&E's renewal of the subject pipeline contracts.

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<sup>1</sup> The subject contracts are provided to the Energy Division and DRA, under Public Utilities Code Section 583. Other applicable terms and conditions are contained within pipeline tariffs and are available directly from the pipelines.

## **Description of Contracts**

PG&E purchases significant quantities of natural gas from Canada's Western Sedimentary Basin. PG&E holds Canadian and U.S. interstate pipeline capacity to transport those gas supplies to PG&E's interconnection at the California-Oregon border. PG&E has purchased and transported Canadian gas supplies to California since 1961. The northern pipeline capacity path includes transmission capacity on TransCanada's Gas Transmission Northwest (GTN), through Oregon, Washington and Idaho, TransCanada's Foothills System through British Columbia and TransCanada's NOVA Gas Transmission Ltd. (NOVA), within the province of Alberta. This northern capacity path provides access to one of the most vibrant and liquid natural gas markets in North America. On average, over 10 billion cubic feet (Bcf) per day of gas is traded on the NOVA system. Canadian gas supplies have been and are expected to continue to be consistently competitive with gas supplies from the U.S. Southwest and Rocky Mountain producing region.

The table below describes the specific contracts that PG&E seeks Commission approval to continue.

**Table I Proposed Pipeline Contract Information**

<b>Pipeline</b>	<b>Contract Quantity Dth/d</b>	<b>Estimated Res. Rate (1)</b>	<b>Estimated Annual Cost (2)</b>	<b>Expiration Date</b>
Gas Transmission Northwest (GTN) (3)	609,968	0.4247	\$94,554,495	10/31/2009
TransCanada Foothills System (4)	611,054	0.0788	\$17,575,135	10/31/2009
NOVA Gas Transmission (NOVA)	619,369	0.1450	\$32,780,104	12/31/2009

(1) Rates based on current or filed reservation rates, excluding variable and fuel charges.

(2) Estimated annual costs in US dollars. Rates and costs expressed in US dollars for the Foothills System and NOVA may vary depending on future currency exchange rates.

(3) On June 30, 2006, GTN filed a General Rate Case with the Federal Energy Regulatory Commission (Docket No. RP06-407-000) proposing a maximum recourse reservation rate increase under Rate Schedule FTS-1 from \$0.2628 to \$0.4247. The Commission has not yet ruled on the increase. The proposed rates became effective on January 1, 2007, subject to refund based on the Commission's final ruling.

(4) Previously named the B.C. System.

## **Renewal Recommendation**

The GTN contract does not terminate unless the pipeline receives advance notice in writing of PG&E's intent to terminate. The "evergreen provision" in PG&E's contract automatically extends the term for one year, absent any action by PG&E. In other words, if PG&E does nothing, the contract will continue for another year. Upon approval of this filing, PG&E intends to take no action and allow the automatic one-year extension for the GTN contract, which will extend the term through October 31, 2009. If the Commission determines that PG&E should

terminate this contract, GTN must receive PG&E's written notice by October 31, 2007.

PG&E must notify the Foothills System and NOVA of its intent to renew. PG&E intends to exercise the renewals for each of these contracts for one year, extending the Foothills System contract term through October 31, 2009, and the NOVA contract through December 31, 2009.

All costs associated with the contracts will continue to be recovered from PG&E's core gas customers through the Purchased Gas Account, in accordance with D. 04-09-022 and PG&E's gas tariffs.

PG&E strongly urges the Commission to allow the contracts to continue for an additional year pursuant to the contracts' evergreen provisions. In the short-term, Canada is expected to continue to provide competitively-priced supplies, and by necessity, will remain the predominant supply source for PG&E's core customers. Even under a hypothetical market scenario in which Canadian supplies were to lose their competitiveness, significant changes to the Northern Path holdings could not, in all likelihood, be accomplished prior to October 2009. Any significant shift in the core's supply mix away from Canada would require additional interstate capacity to the Southwest or the Rocky Mountain Supply basins as well as access to Baja capacity currently held and used by other shippers on CGT.

This filing will not affect any other rate or charge, cause the withdrawal of service, or conflict with any other rate schedule or rule.

### **Protests – Ten Day Expedited Period**

Anyone wishing to protest this filing may do so by sending a letter to the address below by **October 12, 2007**, which is ten (**10**) **days** from the date of this filing, in accordance with the expedited protest period authorized in D.04-09-022. Protests should be mailed to:

CPUC Energy Division  
Tariff Files, Room 4005  
DMS Branch  
505 Van Ness Avenue  
San Francisco, California 94102

Facsimile: (415) 703-2200  
E-mail: jnj@cpuc.ca.gov and mas@cpuc.ca.gov

Copies of protests also should be mailed to the attention of the Director, Energy Division, Room 4004, at the address shown above.

The protest also should be sent via U.S. mail (and by facsimile and electronically, if possible) to PG&E at the address shown below on the same date it is mailed or delivered to the Commission:

Brian K. Cherry  
Vice President, Regulatory Relations  
Pacific Gas and Electric Company  
77 Beale Street, Mail Code B10C  
P.O. Box 770000  
San Francisco, California 94177

Facsimile: (415) 973-7226  
E-mail: [PGETariffs@pge.com](mailto:PGETariffs@pge.com)

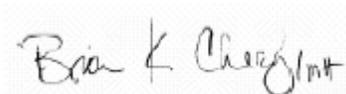
### **Effective Date**

In accordance with the comment and evaluation period provided in D.04-09-022, and assuming no protests are received to this filing, PG&E requests Commission pre-approval of this filing effective **October 23, 2007**, which is 21 days after the date of this filing.

### **Notice**

In accordance with General Order 96-B, Section IV, a copy of this advice letter is being sent electronically and via U.S. mail to parties shown on the attached list, and the parties on the service list for R. 04-01-025. Address changes should be directed to Rose de la Torre at (415) 973-4716. Advice letter filings can also be accessed electronically at:

<http://www.pge.com/tariffs>



Vice President, Regulatory Relations

cc: Richard A. Myers - Energy Division  
Wendy Al-Mukdad - Energy Division  
Jonathan Bromson - Legal Division  
Belinda Gatti - Energy Division  
Mark Pocta - Division of Ratepayer Advocates  
Jacqueline Grieg - Division of Ratepayer Advocates  
Marcel Hawiger - The Utility Reform Network  
Service list R. 04-01-025

# CALIFORNIA PUBLIC UTILITIES COMMISSION

## ADVICE LETTER FILING SUMMARY ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No. **Pacific Gas and Electric Company (ID U39 M)**

Utility type:

- ELC       GAS  
 PLC       HEAT       WATER

Contact Person: Megan Hughes

Phone #: (415) 973-1877

E-mail: mehr@pge.com

EXPLANATION OF UTILITY TYPE

ELC = Electric      GAS = Gas  
 PLC = Pipeline      HEAT = Heat      WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: 2873-G

**Tier: 2**

Subject of AL: Expedited Pre-Approval of Interstate and Canadian Pipeline Contracts

Keywords (choose from CPUC listing): Capacity, Contracts

AL filing type:  Monthly  Quarterly  Annual  One-Time  Other \_\_\_\_\_

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #:

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: **No**

Summarize differences between the AL and the prior withdrawn or rejected AL<sup>1</sup>: \_\_\_\_\_

Is AL requesting confidential treatment? If so, what information is the utility seeking confidential treatment for: **No**

Confidential information will be made available to those who have executed a nondisclosure agreement:  Yes  No

Name(s) and contact information of the person(s) who will provide the nondisclosure agreement and access to the confidential information: \_\_\_\_\_

Resolution Required?  Yes  No

Requested effective date: **October 23, 2007**

No. of tariff sheets: 0

Estimated system annual revenue effect (%): N/A

Estimated system average rate effect (%): N/A

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: N/A

Service affected and changes proposed<sup>1</sup>: N/A

Pending advice letters that revise the same tariff sheets: N/A

Protests, dispositions, and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

**CPUC, Energy Division**  
**Tariff Files, Room 4005**  
**DMS Branch**  
**505 Van Ness Ave.,**  
**San Francisco, CA 94102**  
**[jnj@cpuc.ca.gov](mailto:jnj@cpuc.ca.gov) and [mas@cpuc.ca.gov](mailto:mas@cpuc.ca.gov)**

**Pacific Gas and Electric Company**  
**Attn: Brian K. Cherry**  
**Vice President, Regulatory Relations**  
**77 Beale Street, Mail Code B10C**  
**P.O. Box 770000**  
**San Francisco, CA 94177**  
**E-mail: [PGETariffs@pge.com](mailto:PGETariffs@pge.com)**

**PG&E Gas and Electric  
Advice Filing List  
General Order 96-B, Section IV**

ABAG Power Pool	Douglass & Liddell	PG&E National Energy Group
Accent Energy	Downey, Brand, Seymour & Rohwer	Pinnacle CNG Company
Aglet Consumer Alliance	Duke Energy	PITCO
Agnews Developmental Center	Duke Energy North America	Plurimi, Inc.
Ahmed, Ali	Duncan, Virgil E.	PPL EnergyPlus, LLC
Alcantar & Kahl	Dutcher, John	Praxair, Inc.
Ancillary Services Coalition	Dynergy Inc.	Price, Roy
Anderson Donovan & Poole P.C.	Ellison Schneider	Product Development Dept
Applied Power Technologies	Energy Law Group LLP	R. M. Hairston & Company
APS Energy Services Co Inc	Energy Management Services, LLC	R. W. Beck & Associates
Arter & Hadden LLP	Exelon Energy Ohio, Inc	Recon Research
Avista Corp	Exeter Associates	Regional Cogeneration Service
Barkovich & Yap, Inc.	Foster Farms	RMC Lonestar
BART	Foster, Wheeler, Martinez	Sacramento Municipal Utility District
Bartle Wells Associates	Franciscan Mobilehome	SCD Energy Solutions
Blue Ridge Gas	Future Resources Associates, Inc	Seattle City Light
Bohannon Development Co	G. A. Krause & Assoc	Sempra
BP Energy Company	Gas Transmission Northwest Corporation	Sempra Energy
Braun & Associates	GLJ Energy Publications	Sequoia Union HS Dist
C & H Sugar Co.	Goodin, MacBride, Squeri, Schlotz &	SESCO
CA Bldg Industry Association	Hanna & Morton	Sierra Pacific Power Company
CA Cotton Ginners & Growers Assoc.	Heeg, Peggy A.	Silicon Valley Power
CA League of Food Processors	Hitachi Global Storage Technologies	Smurfit Stone Container Corp
CA Water Service Group	Hogan Manufacturing, Inc	Southern California Edison
California Energy Commission	House, Lon	SPURR
California Farm Bureau Federation	Imperial Irrigation District	St. Paul Assoc
California Gas Acquisition Svcs	Integrated Utility Consulting Group	Sutherland, Asbill & Brennan
California ISO	International Power Technology	Tabors Caramanis & Associates
Calpine	Interstate Gas Services, Inc.	Tecogen, Inc
Calpine Corp	IUCG/Sunshine Design LLC	TFS Energy
Calpine Gilroy Cogen	J. R. Wood, Inc	Transcanada
Cambridge Energy Research Assoc	JTM, Inc	Turlock Irrigation District
Cameron McKenna	Luce, Forward, Hamilton & Scripps	U S Borax, Inc
Cardinal Cogen	Manatt, Phelps & Phillips	United Cogen Inc.
Cellnet Data Systems	Marcus, David	URM Groups
Chevron Texaco	Matthew V. Brady & Associates	Utility Resource Network
Chevron USA Production Co.	Maynor, Donald H.	Wellhead Electric Company
City of Glendale	MBMC, Inc.	White & Case
City of Healdsburg	McKenzie & Assoc	WMA
City of Palo Alto	McKenzie & Associates	
City of Redding	Meek, Daniel W.	
CLECA Law Office	Mirant California, LLC	
Commerce Energy	Modesto Irrigation Dist	
Constellation New Energy	Morrison & Foerster	
CPUC	Morse Richard Weisenmiller & Assoc.	
Cross Border Inc	Navigant Consulting	
Crossborder Inc	New United Motor Mfg, Inc	
CSC Energy Services	Norris & Wong Associates	
Davis, Wright, Tremaine LLP	North Coast Solar Resources	
Defense Fuel Support Center	Northern California Power Agency	
Department of the Army	Office of Energy Assessments	
Department of Water & Power City	OnGrid Solar	
DGS Natural Gas Services	Palo Alto Muni Utilities	